

CITY OF MELCHER-DALLAS

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
JULY 1, 2020 THROUGH JUNE 30, 2021**

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City of Melcher-Dallas

City of Melcher-Dallas

Officials

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Barb Van Wyk	Mayor	Jan 2022
Chris Heaton	Council Member	Jan 2022
Mark Herold	Council Member	Jan 2022
Terry Fisher	Council Member	Jan 2024
Mark Moon	Council Member	Jan 2024
Seth Williams*	Council Member	Resigned
Sara Lewin**	Council Member	Jan 2022
Jenny Knust	Clerk	Indefinite
Robert Stuyvesant	Attorney	Indefinite

* - Resigned in October 2020.

** - Appointed in November 2020.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor and Members of the City Council:

We performed the procedures below, which were established at Iowa Code Chapter 11.6, to provide oversight of Iowa cities. Accordingly, we have applied certain procedures to selected accounting records and related information of the City of Melcher-Dallas (City) for the period July 1, 2020 through June 30, 2021, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Melcher-Dallas management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The City Melcher-Dallas' management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose to report, in accordance with Chapter 11.6 of the Code of Iowa, recommendations pertaining to selected accounting records and related information of the City including the City's compliance with certain Code of Iowa recommendations. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures we performed are summarized as follows:

1. We observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We obtained an understanding of the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We observed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and observed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.

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5. We scanned City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We observed the City's fiscal year 2021 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We scanned investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We scanned depository resolutions, the City's investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa.
9. We scanned debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. The City had no TIF.
11. We traced selected receipts to accurate accounting and consistency with the recommended COA.
12. The City had no voter approved levies.
13. We traced selected disbursements to proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. We traced transfers between funds to proper authorization and accurate accounting and to determine whether transfers were proper.
15. We traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
16. We observed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various findings and recommendations for the City. Our findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were engaged by the City of Melcher-Dallas' management to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City of Melcher-Dallas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting findings and recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Melcher-Dallas during the course of our agreed-upon procedures engagement. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in cursive script that reads "Faller, Kincheloe & Co, PLC".

Faller, Kincheloe & Co, PLC

November 1, 2021

Detailed Findings and Recommendations

CITY OF MELCHER-DALLAS
DETAILED RECOMMENDATIONS
For the period July 1, 2020 through June 30, 2021

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one or two individuals have control over each of the following areas for the City of Melcher-Dallas (City):

- (1) Cash – handling, reconciling and recording.
- (2) Investing – recordkeeping, investing, custody of investments and reconciling earnings.
- (3) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (4) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (5) Payroll – recordkeeping, preparation and distribution.
- (6) Debt – recordkeeping, compliance and debt payment processing.
- (7) Utilities – billing, collecting, depositing and posting.
- (8) Financial reporting – preparing and reconciling.
- (9) Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Bank Reconciliations – The checking, savings and investment balances in the City's general ledger were not reconciled to bank and investment account balances throughout the year. For the one month reviewed, the book balances exceeded the bank balances by \$4,860.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly. Variances, if any, should be reviewed and resolved timely.

- (C) Reconciliation of Utility Collections - Utility collections were not reconciled to the accounting records throughout the year.

Recommendation – Procedures should be established to reconcile utility collections to the accounting records for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations. The reviews should be documented by signing or initialing and dating the reconciliations.

CITY OF MELCHER-DALLAS
DETAILED RECOMMENDATIONS
For the period July 1, 2020 through June 30, 2021

- (D) Deposit Resolution – The City’s deposit resolution did not specify all of the depositories and the maximum amount to be kept on deposit at each depository, as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The City should implement procedures to ensure compliance with Chapter 12C.2 of the Code of Iowa.

- (E) Check Retention – For part of the fiscal year, the backs of cancelled checks were not retained by the City, as required by Chapter 554D.114 of the Code of Iowa.

Recommendation – The City should retain the backs of the cancelled checks, as required by Chapter 554D.114 of the Code of Iowa.

- (F) Water Revenue Bonds – The water revenue bond resolutions require a sinking account be established and monthly transfers equal to 1/12 of the principal and interest coming due be made to the sinking account. For part of the year, we noted that the City did not properly fund the sinking account for the water revenue bonds.

Recommendation – The City should implement procedures to ensure the water revenue bond sinking account requirements are met.

- (G) Annual Financial Report – The beginning fund balances for the governmental and proprietary activities did not agree to the prior year ending fund balances reported in the June 30, 2021 Annual Financial Report.

Recommendation – The City should ensure the current year Annual Financial Report beginning balances agree with the prior year ending balances.